

Town of Los Gatos Rental Dispute Resolution Program
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**FREQUENTLY ASKED QUESTIONS ABOUT THE TOWN OF
LOS GATOS RENTAL DISPUTE RESOLUTION PROGRAM**

1. What services are available through the Rental Dispute Program?

The program offers confidential counseling and information services to both tenants and landlords in all rental housing situations. The program provides telephone conciliation services for dispute resolution in rental properties with two or more units. The entire three-step process, including mediation and arbitration, is available when there are three or more units. All services are confidential and neutral. The services are only available for properties located within the Los Gatos Town limits, and only for residential rentals, not commercial units.

2. What kinds of rental disputes are subject to the mediation and arbitration procedures; what kinds of disputes are not covered?

The program's rental dispute procedures are available for any type of dispute between a current tenant and the landlord. These include rental increases, repairs and maintenance, and invasion of privacy. However, the program cannot interfere with pending unlawful detainer actions. The program does not cover cases when the tenant no longer lives in the premises giving rise to the dispute, for example where there is a dispute about failure to return a security deposit, or after a tenant has been evicted, unless there is an issue of retaliation.

3. Is there any charge for any of the program services?

All services are free to the parties, both tenants and landlords. The program is funded by a fee paid by owners of multi-unit rental properties.

4. Which rental properties are subject to rent control?

Rent control limits only apply to properties with three or more rental units. The limits only apply to current tenants. They do not apply to new tenants moving into units which are vacant due to a voluntary departure by the prior tenant, or which are vacant because the prior tenant violated the applicable rental agreement or lease.

5. What kinds of rent increases can be disputed in rent control properties?

The rent for existing tenants can never be raised more than once a year, regardless of the amount of increase, unless the affected tenants voluntarily agree to the increase. An annual increase of 5%, or 70% of the applicable C.P.I., is presumed valid, and is not subject to being disputed. A landlord seeking to institute an annual increase in rent beyond the 5% level must justify the increase under the "pass-through" formulas, if the tenants file a challenge with the Dispute Resolution Program. These pass-through formulas are the only justifications for annual

increases beyond the 5% limit, unless there has been no increase for the last two years. In that situation, the landlord is permitted to institute a 10% increase without dispute.

6. What are the “pass-through” formulas?

There are two basic formulas. One formula permits rent to be raised beyond 5% when the operations and maintenance expenses on the property have increased during the most recent twelve months, when compared to the preceding twelve months, or when there have been capital improvements or rehabilitation repairs to the property. The second formula permits a pass-through of a portion of the debt when the debt service on the property has increased in the most recent twelve months. For both formulas, the increase in operations or debt is pro-rated for the entire property. The specific factors included in the formulas, and a worksheet to calculate the formulas, are available from the Dispute Resolution Program.

7. What are the applicable twelve month periods used to calculate pass-through formulas?

The calculations must be based on the twelve and twenty-four month periods immediately prior to the date of the rental increase, or a date no more than sixty days before the actual increase.

8. When calculating the pass-through formula for increased operation costs, what is the difference between operating expenses, capital improvements and rehabilitation expenses?

Operating expenses are the normal expenses reasonably necessary to maintain the current value of the property, such as utilities, insurance, janitorial, pool maintenance, or landscape contractors. Capital improvements are changes that increase the value of the property such as building a swimming pool or adding a parking garage. Capital improvement costs must be amortized over a five year period. Rehabilitation costs are limited to those required by government order, or which are necessary to repair damage such as fire or earthquake. These costs must be amortized over a three year period.

9. What information must be included in a notice of rent increase?

A notice must inform the affected tenant or tenants of the right to use the Dispute Resolution Program, and it must also include the name, address, telephone, and fax of the Program. A notice which fails to list the name and correct telephone number of the Program is invalid. A notice that fails to include the remainder of the required information is valid, but the time limit for the affected tenants to file a petition disputing the increase is extended from sixty days to six months.

10. When is a petition due and how does the three-step dispute resolution process work?

If a landlord gives proper notice, a valid petition must be filed within 60 days after the notice of rent increase. The first step in the process is conciliation, in which the program case manager speaks with all parties over the telephone or through email to explore settlement. If conciliation fails to produce a written agreement, the second step, which is mediation, can be requested. The parties meet informally with a trained mediator at this stage to discuss their settlement positions. The content of the mediation is confidential and the parties have the flexibility to resolve their dispute in mediation by crafting an agreement that meets their needs. If mediation is

unsuccessful, the final step is an arbitration hearing. At this final stage, the parties exchange their evidence in advance, and then present their case to an arbitrator who holds a formal, recorded trial hearing and then issues a written, binding decision.

11. How many tenants must join in a rental increase case, and how can I find out how many other tenants received a notice of rent increase?

Petitions seeking to dispute a rental increase must be signed by at least 25% of the affected tenants. In order to find out the names of any other tenants who received the same increase notice, a tenant has the right to give the landlord a written request for the apartment numbers of all other affected tenants. If an initial petition is filed, the tenants have an additional 30 days to obtain the signatures of the remaining 25%.

12. What rental amount does a tenant pay while a case is pending over a rental increase?

While a case is pending, the affected tenant or tenants pay the rate in effect prior to the increase, plus 5%. At the time the case is concluded, the tenant will be obligated to retroactively pay any additional increase amount that is ultimately upheld in mediation or arbitration. If an amount less than the interim amount is ultimately determined to apply, the landlord will be obligated to refund the difference.

13. What is a “service reduction” case?

Whether or not there has been an actual rent increase, tenants in properties with three or more units can file a petition seeking a decrease in rent based on an allegation of service reduction. This type of case only applies to a landlord’s failure to provide fundamental levels of service, such as adequate heating, basic plumbing, or vermin elimination. Routine maintenance problems, such as failure to repair a light fixture, can form the basis for a dispute resolution petition, but do not support a service reduction case. The details of the alleged service reduction must be described in a separate form that accompanies the petition. These forms and other details are available from the Dispute Resolution Program.

14. Are tenants protected against retaliation?

If a tenant believes that he or she has been subjected to retaliation because of invoking this rental dispute program, a petition can be filed with the Dispute Resolution Program. The agency will conduct a preliminary investigation and refer the case to the Town Attorney if there is evidence to support the claim. An eviction or termination notice is presumed to be retaliatory if issued within six months of the date a tenant utilized the program.

15. How do I get more information?

For counseling or more information, contact the Los Gatos Dispute Resolution Program at 408-402-0307 x 17. This Program is administered by Project Sentinel, a non-profit agency contracted by the Town of Los Gatos. The agency can provide you with a full copy of the applicable ordinance and regulations, the forms necessary to process a case, and a worksheet for calculating a pass-through formula, along with other helpful materials. You can also access information on the Town of Los Gatos website, www.losgatosca.gov/rental_dispute.